

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

84.29

Farm-Mortgage Lending

Experience of 20 Life Insurance Companies,

Federal Land Banks, and

Farmers Home Administration

APRIL THROUGH JUNE 1963.

U. S. DEPT. OF AGRICULTURE
NATIONAL AGRICULTURAL LIBRARY

MAR 19 1964

DUPLICATE SERIAL RECORDS

Farm Production Economics Division, Economic Research Service, USDA

November 1963

In the second quarter of 1963, farm-mortgage loans closed by the 3 reporting lender groups, totaled \$416 million, 25 percent higher than in the second quarter of 1962. These included increases in existing loans. The increase was 35 percent for the reporting life insurance companies, 31 percent for the Farmers Home Administration, and approximately 15 percent for the Federal land banks. The 25 percent overall increase was somewhat sharper than in the first quarter of 1963, when the dollar volume of new lending rose 19 percent above the first quarter of 1962. These 1963 increases have added significance because farm mortgage lending already had reached a high level during 1962. Farm-mortgage loans made by the 3 lender groups during 1962 were \$1,375 million, or 12 percent higher than the lending volume during 1961.

Despite the continued increase, condition of loans apparently remained strong, judging from available statistics. Repayments in the second quarter of 1963 continued at about the same rate as a year earlier. The volume of delinquent and foreclosed loans showed little change. Such loans continued to be small in relation to total loans.

Interest rates charged by the life insurance companies on their farm-mortgage loan commitments continued to show little change during the second quarter of 1963. Rates averaged 5.76 percent, approximately the same as in the 3 preceding quarters, and 0.1 percent below the second quarter of 1962. Rates charged by the Federal land banks were also stable during the quarter with 8 banks charging 5.5 percent, 2 banks charging less than 5.5 percent and 2 banks charging more. Compared with a year earlier, interest rates on June 30, 1963, were lower at 2 of the Federal land banks--by 0.3 percent and 0.5 percent.

Life insurance companies

New and additional loans closed by the life insurance companies in the second quarter of 1963 totaled \$187 million, \$49 million or 35 percent higher than in the second quarter of 1962. For the first 6 months of 1963, lending volume exceeded the year-earlier period by 38 percent. The number of new loans made in the first half was up about 19 percent and the average size was up 16 percent.

Loan commitments of the life insurance companies in the second quarter of 1963 were nearly one-half larger than commitments in the year-earlier quarter. This indicated continued growth in farm-mortgage lending of the insurance companies.

Federal land banks

The Federal land banks loaned \$385 million in the first half of 1963, about \$38 million or 11 percent more than in the first half of 1962. The number of loans made rose about 4 percent and the average size increased 7 percent. Repayment rates remained stable. Delinquent or extended loans continued to be relatively small.

Farmers Home Administration

About \$41 million rural-housing and farm-ownership direct loans were made in the second quarter of 1963. This was about \$10 million or 31 percent higher than in the same 1962 quarter, but far below the unusual peak of \$80 million in the last quarter of 1962. As in recent earlier quarters, rural-housing loans continued to dominate direct loan activity: all but \$1 million of the \$41 million was for rural housing. Many of the FHA rural-housing loans are not made to farmers. In Fiscal Year 1963 probably 70 percent of the total rural-housing loans were made to nonfarm residents living in small towns or on nonfarm rural tracts.

FHA insured loans to individuals (not shown in the tables of this report), increased \$42 million in outstanding amount during the second quarter of 1963. These were largely farm-ownership loans. This increase was \$12 million less than the rise in the year-earlier second quarter. Insured loans outstanding totaled \$502 million in mid-1963, an increase of \$168 million or about 50 percent from a year earlier.

The following tables compare farm-mortgage lending activity of the 3 lender groups for selected periods of 1962 and 1963.

Table 1.--Life insurance companies: Farm-mortgage loans, 20 companies, United States, selected quarters, 1962 and 1963

Item	Quarter ending--			Percentage change, quarters ending--	
	June 30, 1962	Mar. 31, 1963	June 30, 1963	June 30, 1962, and June 30, 1963	Mar. 31, and June 30, 1963
<u>Beginning of Quarter</u>				<u>Percent</u>	<u>Percent</u>
Mortgages owned:					
Number-----	192,459	192,574	191,930	-0.3	-0.3
Principal indebtedness:					
Total-----1,000 dollars--	2,995,478	3,183,643	<u>1/</u> 3,243,935	8.3	1.9
Average-----dollars--	15,560	16,530	16,900	8.6	2.2
<u>During Quarter</u>					
Mortgages acquired:					
Number-----	3,886	5,578	4,554	17.2	-18.4
Principal indebtedness:					
Total <u>2/</u> -----1,000 dollars--	116,676	195,190	154,198	32.2	-21.0
Average <u>3/</u> -----dollars--	24,600	27,200	26,180	6.4	3.8
Increase in principal of mortgages already owned <u>3/</u> -----1,000 dollars--	21,582	31,507	32,652	51.3	3.6
Payments on principal of mortgages:					
Mortgages paid in full:					
Number-----	3,326	6,207	3,714	11.7	-40.2
Amount:					
Total <u>4/</u> -----1,000 dollars--	38,503	98,096	46,893	21.8	-52.2
Average <u>5/</u> -----dollars--	10,830	10,140	12,510	15.5	23.4
Other <u>5/</u> -----1,000 dollars--	22,231	68,272	22,536	1.4	-67.0
Total-----do-----	60,734	166,368	69,429	14.3	-58.3
Percent of principal indebtedness, beginning of quarter-----	2.0	5.2	2.1	---	---
Mortgages on farm properties acquired by foreclosure and voluntary conveyance:					
Number-----	3	1	0	---	---
Principal indebtedness:					
Total-----1,000 dollars--	19	36	0	---	---
Average-----dollars--	6,330	36,000	0	---	---
<u>End of Quarter</u>					
Mortgages owned:					
Number <u>6/</u> -----	193,009	191,930	192,761	-.1	.4
Principal indebtedness:					
Total-----1,000 dollars--	3,072,983	3,243,936	3,361,356	9.4	3.6
Average-----dollars--	15,920	16,900	17,440	9.5	3.2
Mortgage in process of foreclosure:					
Number-----	87	65	74	-14.9	13.8
Percent of total-----	<u>7/</u>	<u>7/</u>	<u>7/</u>	---	---
Principal indebtedness-----1,000 dollars--	1,916	1,295	1,457	-24.0	12.5
Percent of total-----	.1	<u>7/</u>	<u>7/</u>	---	---
Mortgages with interest overdue more than 3 months:					
Number-----	509	380	591	16.1	55.5
Percent of total-----	.3	.2	.3	---	---
Principal indebtedness-----1,000 dollars--	10,927	15,781	19,488	78.3	23.5
Percent of total-----	.4	.5	.6	---	---
Mortgage-loan commitments during quarter:					
Number-----	4,962	7,104	6,007	21.1	-15.4
Amount:					
Total-----1,000 dollars--	153,818	248,370	227,845	48.1	8.3
Average-----dollars--	31,000	34,960	37,930	22.4	8.5

1/ Because of consolidation and/or splitting of loans, there was a net decrease of \$1,000 from the amount reported at the end of the preceding quarter. 2/ Includes increase in principal indebtedness of mortgages already owned for 2 companies. 3/ 18-company data; excludes the 2 companies that did not separate principal of farm mortgages acquired and increase in principal of mortgages already owned. 4/ Includes principal payments on farm mortgages not paid in full for 2 companies. 5/ 18-company data; excludes the 2 companies that did not separate principal payments on mortgages paid in full from payments on other mortgages not paid in full. 6/ Because of consolidation and/or splitting of loans there was a net decrease of 7 loans in the 2d quarter of 1962 and 14 loans in the 1st quarter, 9 loans in the 2d quarter of 1963, respectively. 7/ Less than 0.05 percent.

Table 2.--Life insurance companies: Purposes of farm-mortgage-loan commitments, 19 companies. United States, selected quarters, 1962 and 1963

Item	Quarter ending--				
	June 30, 1962	Sept. 30, 1962	Dec. 31, 1962	Mar. 31, 1963	June 30, 1963
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
Amount of commitments-----	153,818	155,281	190,821	248,370	227,845
Percentage of total funds committed for--	Percent	Percent	Percent	Percent	Percent
Farm real estate purchases--	32.5	35.2	36.7	35.7	34.3
Refinancing 1/--					
Mortgages held by--					
Own company-----	22.2	18.9	20.2	23.6	23.4
Others-----	11.9	13.8	11.9	10.2	9.1
Total-----	34.1	32.7	32.1	33.8	32.5
Other indebtedness-----	18.7	15.3	16.9	16.6	14.3
Total refinancing--	52.8	48.0	49.0	50.4	46.8
Repairs and improvements to land and buildings-----	7.2	10.1	7.3	6.0	8.3
Other purposes:					
Known-----	7.5	6.7	7.0	7.8	10.6
Unknown-----	2/	0	2/	.1	2/
All purposes-----	100.0	100.0	100.0	100.0	100.0

1/ Distribution between mortgages held by own company and by others estimated for 2 companies; distribution of debt refinancing between real estate mortgages held by others and other indebtedness estimated for another. 2/ Less than 0.05 percent.

Table 3.--Life insurance companies: Interest rates on farm-mortgage-loan commitments, Apr. 1 through June 30, 1963 1/

Interest rate	Loans		Amount		Average size of loan
	Number	Percentage distribution	Total	Percentage distribution	
		Percent	Dollars	Percent	Dollars
Percent:					
5 or less-----	18	0.7	393,600	0.3	21,870
5 1/4-----	32	1.1	988,100	.8	30,880
5 1/2-----	1,307	45.4	43,787,911	35.6	33,500
5 3/4-----	596	20.7	30,250,890	24.6	50,760
6-----	829	28.8	38,830,712	31.5	46,840
6 1/4-----	41	1.4	3,148,337	2.6	76,790
6 1/2 and over-----	55	1.9	5,672,267	4.6	103,130
Total or average-----	2,878	100.0	123,071,817	100.0	42,760

1/ The weighted average interest rate, based on 3,581 loans and a total amount committed of \$141,009,717, is 5.756 percent. 2 companies did not report interest rates.

Table 4.--Federal land banks: Farm-mortgage loans, United States, Jan. 1, 1962, through June 30, 1963 1/

Item	6 months ending--			Percentage change, 6 months ending--	
	June 30, 1962	Dec. 31, 1962	June 30, 1963	June 30, 1962, and June 30, 1963	Dec. 31, 1962, and June 30, 1963
	:	:	:	:	:
<u>Beginning of Period</u>				<u>Percent</u>	<u>Percent</u>
Loans outstanding: 2/					
Number-----	379,940	381,147	379,754	3/	-0.4
Principal indebtedness:					
Total-----1,000 dollars---	2,827,973	2,968,438	3,051,973	7.9	2.8
Average-----dollars---	7,440	7,790	8,040	8.1	3.2
<u>During Period</u>					
Loans made: 4/					
Number-----	24,559	21,407	25,550	4.0	19.4
Principal indebtedness:					
Total-----1,000 dollars---	346,850	297,857	384,257	10.8	29.0
Average-----dollars---	14,120	13,910	15,040	6.5	8.1
Other increases: 5/					
Number-----	63	59	66	4.8	11.9
Amount:					
Total-----1,000 dollars---	889	776	1,080	21.5	39.2
Decreases:					
Principal repayments: 6/					
Total-----1,000 dollars---	120,490	131,700	133,171	10.5	1.1
Percent of unpaid principal, beginning of period-----	4.3	4.4	4.4	---	---
Other: 7/					
Number-----	11,566	10,798	12,457	7.7	15.4
Amount:					
Total-----1,000 dollars---	86,784	83,398	106,133	22.3	27.3
Average-----dollars---	7,500	7,720	8,520	13.6	10.4
Paid in full:					
Number-----	11,849	12,061	12,420	4.8	3.0
Farm properties acquired by foreclosure and voluntary conveyance:					
Number-----	26	14	27	3.8	92.9
Principal indebtedness:					
Total-----1,000 dollars---	192	197	290	51.0	47.2
Average-----dollars---	7,380	14,070	10,740	45.5	-23.7
<u>End of Period</u>					
Loans outstanding: 2/					
Number-----	381,147	379,754	380,493	-.2	.2
Principal indebtedness:					
Total-----1,000 dollars---	2,968,438	3,051,973	3,198,006	7.7	4.8
Average-----dollars---	7,790	8,040	8,400	7.8	4.5
Delinquent or extended:					
Number-----	15,028	19,204	14,580	-3.0	-24.1
Percent of total-----	3.9	5.1	3.8	---	---
Matured principal unpaid:					
Total-----1,000 dollars---	3,602	5,456	3,633	.9	-33.4
Average-----dollars---	240	280	249	3.8	-11.1
Called for foreclosure:					
Number-----	178	248	240	34.8	-3.2
Principal indebtedness:					
Total-----1,000 dollars---	1,149	1,602	1,877	63.4	17.2
Average-----dollars---	6,460	6,460	7,820	21.1	21.1
Farm properties owned:					
Number-----	35	39	36	2.9	-7.7
Principal indebtedness:					
Total-----1,000 dollars---	310	362	431	39.0	19.1
Average-----dollars---	8,860	9,280	11,970	35.1	29.0

1/ Includes Puerto Rico and Alaska. 2/ Excludes loans called for foreclosure. 3/ Minus less than 0.05 percent.

4/ Gross number and amount of all loans made including new loans which replaced old loans, and loans canceled prior to disbursement of loan proceeds. 5/ Increase in number or amount of loans, or both, by reason of reamortization, reinstatements, and so on. 6/ Consists of principal matured and paid in advance, special principal payments and loans paid off prior to maturity, plus net decrease or minus net increase in principal matured and unpaid during period. Principal matured and unpaid was \$3,601,983 on June 30, 1962, \$5,455,835 on Dec. 31, 1962, and \$3,632,945 on June 30, 1963. 7/ Includes loans replaced by new loans, loans canceled prior to disbursement of loan proceeds, loans canceled by deed, loans called for foreclosure, and loans charged off.

Farm Credit Administration - Accounting and Budget Division.

Table 5.--Federal land banks: Interest rates charged by districts, June 30, 1963

District	Rate	Effective date
	Percent	
Springfield-----	5.75	Mar. 27, 1961
Baltimore-----	6.00	Sept. 1, 1959
Columbia-----	<u>1/</u> 5.50	July 1, 1961
Louisville-----	5.50	Jan. 1, 1961
New Orleans-----	5.50	Jan. 2, 1961
St. Louis-----	5.50	Jan. 1, 1961
St. Paul-----	5.50	Jan. 3, 1961
Omaha-----	5.50	Mar. 24, 1961
Wichita-----	5.50	Jan. 3, 1961
Houston-----	<u>2/</u> 5.00	Dec. 1, 1962
Berkeley-----	<u>3/</u> 5.20	Jan. 1, 1963
Spokane-----	5.50	Apr. 1, 1961

1/ New loans are written at 6 percent but borrowers are currently charged 5.50 percent.

2/ New loans are written at 5.50 percent but borrowers are currently charged 5 percent.

3/ New loans are written at 5.50 percent but borrowers are currently charged 5.20 percent.

Farm Credit Administration.

Table 6.--Farmers Home Administration: Direct farm-ownership and rural-housing loans, United States, selected quarters, 1962 and 1963 ^{1/}

Item	Quarter ending--			Percentage change, quarters ending--	
	June 30,	Mar. 31,	June 30,	June 30,	Mar. 31,
	1962	1963	1963	1962, and June 30, 1963	and June 30, 1963
<u>Beginning of Quarter</u>				<u>Percent</u>	<u>Percent</u>
Mortgages owned:					
Number-----	73,068	85,718	87,527	19.8	2.1
Principal indebtedness-----1,000 dollars--	565,543	692,449	705,283	24.7	1.9
<u>During Quarter</u>					
Mortgages acquired:					
Number-----	3,214	2,972	4,149	29.1	39.6
Principal indebtedness-----1,000 dollars--	30,336	27,284	39,872	31.4	46.1
Increase in principal of mortgages already owned-----1,000 dollars--	599	570	642	7.2	12.6
Payments on principal of mortgages:					
Mortgages paid in full:					
Number-----	629	1,148	1,221	94.1	6.4
Amount-----1,000 dollars--	2,963	5,509	6,214	109.7	12.8
Other-----do-----	5,010	9,462	4,011	-19.9	-57.6
Total-----do-----	7,973	14,971	10,225	28.2	-31.7
Percent of principal indebtedness, beginning of quarter-----	1.4	2.2	1.4	---	---
Mortgages on farm properties acquired by foreclosure and voluntary conveyance:					
Number-----	39	15	31	-20.5	106.7
Principal indebtedness-----1,000 dollars--	280	49	108	-61.4	120.4
<u>End of Quarter</u>					
Mortgages owned:					
Number-----	75,614	87,527	90,424	19.6	3.3
Principal indebtedness-----1,000 dollars--	588,225	705,283	735,464	25.0	4.3
Mortgages behind schedule in regard to amortization payments:					
Number-----	4,847	2,514	4,428	-8.6	76.1
Percent of total-----	6.4	2.9	4.9	---	---
Principal indebtedness-----1,000 dollars--	41,387	22,258	39,088	-5.6	75.6
Percent of total-----	7.0	3.2	5.3	---	---
Mortgages in process of foreclosure:					
Number-----	70	50	70	0	40.0
Percent of total-----	.1	.1	.1	---	---
Principal indebtedness-----1,000 dollars--	779	605	851	9.2	40.7
Percent of total-----	.1	.1	.1	---	---
Mortgage-loan commitments during quarter: ^{2/}					
Farm-ownership loans: ^{3/}					
Number-----	831	109	1,829	120.1	^{4/}
Amount:					
Total-----1,000 dollars--	13,103	707	28,823	120.0	^{4/}
Average-----dollars--	15,770	6,490	15,760	-.1	142.8
Rural-housing loans: ^{5/}					
Number-----	2,388	3,190	2,913	22.0	-8.7
Amount:					
Total-----1,000 dollars--	22,566	30,061	27,724	22.9	-7.8
Average-----dollars--	9,450	9,420	9,520	.7	1.1

^{1/} Data for 48 States only. Includes loans on rural nonfarm residences. Separate data for farm-ownership and rural-housing loans are available upon request.

^{2/} Initial loans obligated.

^{3/} The interest rate on these loans is 5 percent.

^{4/} More than 500 percent.

^{5/} The interest rate on these loans is 4 percent.

Farmers Home Administration.

Table 7.--Farmers Home Administration: Purposes of farm-mortgage-loan commitments, direct farm-owner-ship loans, United States, selected periods, 1961 through 1963 1/

Item	July 1, 1960, to June 30, 1961	July 1, 1961, to June 30, 1962	July 1, 1962, to June 30, 1963
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Percentage of total funds committed for--			
Farm real estate purchases-----	35	46	49
Refinancing--			
Mortgages held by--			
Farmers Home Administration-----	2	0	0
Others-----	35	34	28
Total-----	37	34	28
Other indebtedness-----	7	0	0
Total refinancing-----	44	34	28
Repairs and improvements to land and buildings---	20	19	22
Other purposes:			
Known-----	1	1	1
Unknown-----	0	0	0
All purposes-----	100	100	100

1/ Data for 48 States only.

Farmers Home Administration.

U. S. Department of Agriculture

Washington, D. C. 20250.

OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. Department of Agriculture